

Montana Public Employees' Retirement Board

Statement of Governance Principles

To ensure that the accountability and authority for governance and administration of Montana Public Employees' Retirement Board (Board) administered systems are clearly stated, the Board sets forth herein governing principles to identify and distinguish the roles of the Board, the Board President, the Board Vice President, Committees, Committee Chairs, and the Executive Director.

I. **The Board's Role**

All authority granted by the Constitution and statutes to the Board is retained, except as delegated by specific resolution, policy or rule. Consistent with its fiduciary role as trustee of the funds, the Board's principal role is to ensure that administered systems are appropriately governed and managed. The Board is responsible for the benefits of the members and their beneficiaries. With the overriding goal of protecting fund assets, the Board's role is to:

A. **Adopt and Monitor Policies**

- ❖ Set the long-term strategic direction and annual business plan for administered systems, focusing on the goals of the systems against which performance is measured and monitored.
- ❖ Set policies for the systems focusing on:
 - Asset allocation
 - Unfunded liabilities
 - Risk-adjusted rates of return
 - Potential future risks
- ❖ Select, regularly evaluate, and, if necessary, take disciplinary action against the Executive Director.
- ❖ Delegate execution of established Board policy and strategic objectives to the Executive Director and through the Executive Director redelegation to the employees and agents of the Board.

B. **Review and Evaluate Performance**

- ❖ Monitor performance and regularly review results as compared to:
 - Board's mission statement
 - Strategic plan and other long-range goals
 - Annual business plans
 - Performance measures that include external as well as internal measures
- ❖ Benchmarking, incorporating measures that, if realized, clearly position administered systems within the top quartile of comparable funds.
- ❖ Assure plans are in place that provide for management succession.
- ❖ Periodically evaluate the Board, its performance and take any steps necessary to improve Board operations.

- ❖ Review, approve, and monitor actuarial data, assumptions and experience.

C. Review and Evaluate Financial and Administrative Operations

- ❖ Review, approve and monitor the annual budget, supplemental budget, financial standards and policies, as well as material transactions that are not in the ordinary course of business.
- ❖ Ensure the integrity of the financial control and reporting systems.
- ❖ Oversee all audits, including the annual financial audit and the biennial compliance audit, and provide that financial controls and reporting systems exist.

D. Closed Meetings

The Board will meet in a closed meeting where authorized or required by law. It may also meet with the Executive Director with respect to the performance appraisals of administration management staff, and such other employees as the Executive Director may wish to discuss and include.

E. Other Board Responsibilities

- ❖ Have in place Board policies and guidelines regarding proposed legislation (state and federal), shareholder voting, and other internal operational procedures.
- ❖ At all times meet high ethical standards that exceed legal minimums.
- ❖ Organize board committees and approve delegations to committees and the Executive Director.
- ❖ Set the Board agenda, by identifying, articulating, prioritizing and scheduling matters the Board will regularly address.
 - Create a quarterly schedule for its meetings.
 - Identify benchmarks that trigger Board review.
 - Identify information needs and determine how, when and in what form information is to be delivered to Board members so as to enable the Board to meet its responsibilities, having regard for time available.
- ❖ Be accountable to members, beneficiaries, their representative organizations, and participating public employers and others with oversight interests in the Retirement Systems including the Governor and Legislature.
 - Monitor relations and communications with members, beneficiaries, their organizations, and others with oversight interests.
 - Provide for member hearings and make final administrative decisions on contested matters.

The Board is responsible for creating and maintaining an atmosphere that encourages frank and collegial discussions both at the Board and Committee level and as between the Board and administration management. The Board strives to achieve a governing style that emphasizes:

- ❖ Strategic leadership
- ❖ Outward vision
- ❖ Focus on the future
- ❖ Proactivity

- ❖ Encouragement of collegiality
- ❖ Respect for diversity in viewpoints
- ❖ A partnership with administration management
- ❖ Ethical conduct of Board business to avoid even the appearance of impropriety.

The Board establishes and communicates Board policies and priorities and then monitors performance in light of its established policies and priorities. The Board recognizes that the achievement of its goals requires self-discipline by the Board as a whole and by individual Board members to live by the policies articulated herein and to govern with excellence.

II. Individual Board Member Responsibilities

- A. Board members have no obligation to meet with or communicate with advisors, managers, consultants, contractors or vendors. Any contacts and communications between individual Board members and advisors, managers, consultants, contractors and vendors to administered systems shall be at the option, discretion, and judgment of each Board member. Individual Board members shall avoid favoritism, conflicts and disclosure of privileged information and at all times individual Board members shall act in the best interest of administered systems consistent with the Board member's fiduciary duty.
- B. Individual Board members are not to become involved in operational administration, except as requested by the Executive Director.
- C. Whenever the Board or the Executive Director is involved in the selection or employment of advisors, managers, consultants, contractors and vendors, individual Board members shall not communicate with regard to that contract with any person who may be under consideration in such a selection or hiring process prior to the actual selection or hiring.

III. Board/Executive Director Relationship

The Board has delegated to the Executive Director the responsibility for the administration and management of the systems. Policy and direction set by the Board is implemented through the Executive Director. A strong relationship between the Board and Executive Director and clear delineation of authority is critical to the accomplishment of the Board's objectives.

IV. Board/Legal Counsel Relationship

Legal counsel, whether part of staff or outside advisor, will be hired, fired, and evaluated by the Executive Director with the advice and consent of the Board. At the request of the Board or if otherwise necessary, legal counsel may report directly to the Board and/or receive direction from the Board.

V. **Executive Director Authority**

The Board has delegated to the Executive Director responsibility for the administration and management of the systems consistent with Board delegation of authority. This includes responsibility for: (1) hiring of outside advisors (2) hiring, supervising, monitoring, evaluating, and, when necessary, disciplining staff (3) services to beneficiaries; (4) budgeting; (5) governmental affairs/media relations; (6) employee training and development; (7) succession planning; (8) actuarial valuations; and (9) legal representation.

The Executive Director's duties are defined by the Board and include the following:

- ❖ With advice and counsel from the Board, achieve the long-term policies and strategic objectives established for the systems by the Board, including as necessary:
 - Determining the appropriate methods for attaining the Board-established policies and strategic objectives.
 - Directing employees and agents of the Board in furtherance of those objectives.
 - Ensuring that administration activities and decisions are within Board-approved policies.
- ❖ Represent the Board, or designate other staff representatives, to outside parties and organizations.
- ❖ Participate with the Board in the hiring, evaluating for compensation purposes, disciplining, and terminating all administrative management staff.
- ❖ Provide leadership to employees and agents of the Board in terms of collegiality and ethical conduct.
- ❖ Act as the liaison for communication and information flow between the Board and employees and agents of the Board.
- ❖ Terminating staff with the advice and consent of the Board.

VI. **Board President Authority**

The Board President's principal role is to lead the Board in the conduct of Board business by managing the affairs of the Board and ensuring the integrity of the Board's process. The President's specific duties, delegated by the Board, are to:

- ❖ Provide leadership to the Board in terms of collegiality and ethical conduct.
- ❖ Ensure that Board operations are consistent with its own policies and those legally imposed upon it from outside.
- ❖ Ensure that Board member activities fall within the Board's policies regarding governance, prudence and ethics.
- ❖ Set the Board agenda with input from Board members and the Executive Director, articulating, prioritizing and scheduling agenda items as appropriate.
- ❖ Conduct Board meetings, controlling the process of Board deliberations pursuant to rules adopted by the Board.
 - Limit meeting discussion content to those issues that, according to Board policy, are within the Board's responsibility.
 - Ensure timely, fair, orderly, thorough and efficient deliberations,

- including enforcement of the Rules of Order adopted by the Board.
- ❖ Ensure information flow to the Board is comprehensive and timely without being overly-detailed.
 - With input from the Executive Director, Board members and Committee Chairs, determine the frequency, subjects and format of information to be provided to Board members and Committees prior to meeting.
- ❖ Make decisions in those areas for which the Board has expressly delegated the President decision-making authority.
 - Convene and chair meetings of the Board.
 - Appoint Committee membership, with consideration given to the expressed desires of individual Board members and the value of periodic rotation of Committee members so as to provide direct exposure to differing Board responsibilities.
 - Certify actions taken by the Board.
- ❖ Represent the Board to outside parties and organizations, or designate others to represent the Board.
- ❖ Act as the liaison for communications between the Board and Executive Director. Recommend Board and Committee meeting calendars, with advice of the Executive Director and Committee Chairs.
- ❖ Lead the Board's ongoing assessment of Board performance, process and organization, recognizing that continuing improvement will require periodic change to meet future needs and conditions.
- ❖ The Board President and Vice President will be elected by members of the Board in open session at the April meeting of the Board for the term of one year.

While it is the Board to whom the Executive Director is accountable, it is expected that the Board President will have the most frequent contact with the Executive Director.

VII. Board Vice President Authority

In the absence or incapacity of the Board President, the Vice President shall have the duties and responsibilities delegated and established by Board policy and in general conformance with the authority of the President.

VIII. Committees, Committee Chairs

- A. Standing Board Committees have an important role in assisting the Board to carry out its responsibilities. In fulfilling this role they:
 - ❖ Assist the Board by considering policy alternatives and implications for Board deliberations and actions.
 - ❖ Act for the Board when formally delegated such authority for specific purposes. Committee authority is limited to areas explicitly delegated by the Committee's Charter, with care to avoid conflict with authority delegated to the Executive Director.
 - ❖ Perform a monitoring role as to Executive Director performance in areas specifically delegated in the Committee's Charter.

- B. All Board members shall be advised of the meetings of each Committee, and may choose to attend any Committee meeting, regardless of whether or not they are a member of the committee. Board members may participate in committee discussions, but may only vote in committees in which they are members.
- C. Committee Chairs will be selected by the Board President at the time the committee is formed.
- D. Committee Chairs are responsible for organizing the work of the Committees. In fulfilling this function they:
 - ❖ In consultation with the President, set the Committee agenda in accordance with the Committee Charter.
 - ❖ Convene and chair meetings of the committee.
 - ❖ Ensure that the Committee operates to assist the Board consistent with its Charter and the Board rules including:
 - Limiting meeting discussion content to those issues that, according to Board policy and delegation, are within the Committee's responsibility and not within administration's responsibility.
 - Ensuring timely, fair, orderly, and thorough but efficient deliberations, and enforcing the Board's rules of order.
 - ❖ Work directly with the staff person(s) assigned by the Executive Director on matters within the Committee Charters.
 - ❖ Act as a liaison between the Committee, the Board President, and the Board.
 - ❖ As necessary, appoint a Committee Vice Chair to act as Committee Chair in the Committee Chair's absence.